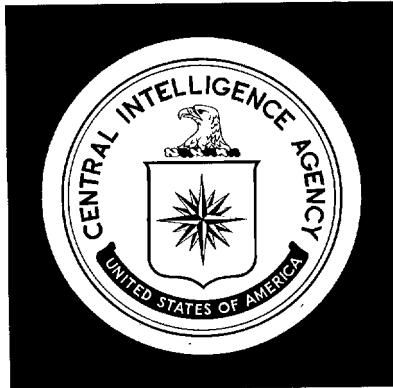


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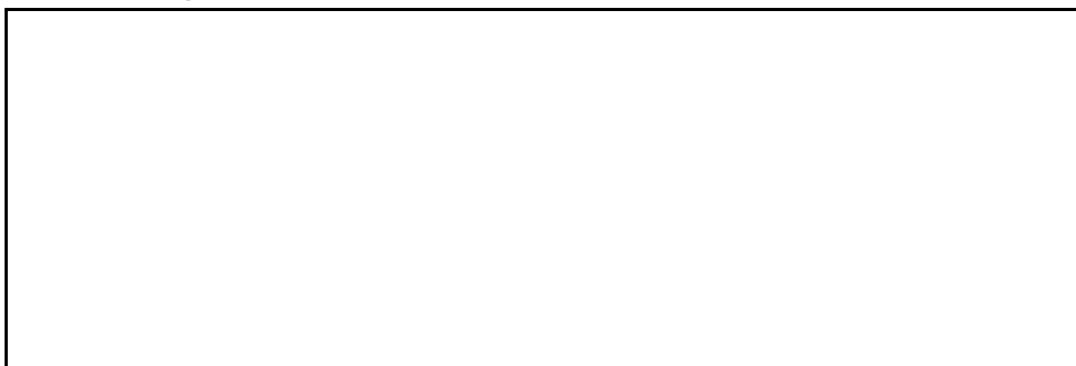
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MALTA: Prime Minister Mintoff, in talks with Italian Foreign Minister Moro on 8 March, said he would sign an accord on the terms offered in London if he receives an additional, one-time payment of \$13 million.

The Maltese leader claims that these extra funds are essential for him to fulfill a pledge to reimburse Libya for monies given Malta if an agreement were struck with the UK. Mintoff apparently was referring to aid received from Libya last August. He had claimed previously that he needed these additional funds to prevent an immediate budgetary crisis in Malta.

Rome, which has stressed Malta's significance to NATO and Italian security in the western Mediterranean, asked Bonn and Washington on 9 March to join Italy in raising the supplementary payment. The West Germans have rejected the initiative but may relent if other NATO members prove accommodating. The British have acquiesced, provided that no payment is made until after an accord is signed, that Mintoff accept the NATO offer of \$36.4 million annually, and that the understanding on bilateral issues and on foreign military use of Maltese facilities is generally satisfactory to NATO. London has made clear to Rome, however, that time is limited, given the fact that final dismantling of the radar will begin on 20 March.

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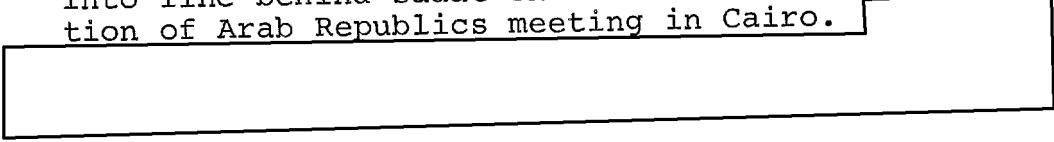
SYRIA: President Asad for the first time has accepted Security Council Resolution 242 "when interpreted as providing for the withdrawal of the enemy from the Arab territory occupied in 1967."

In a general policy address on 8 March, Asad was careful to stress the language in the resolution closest to Arab peace demands. Damascus is nevertheless now on record with its most moderate stand on the issue of war or peace with Israel since the UN resolution was passed in November 1967. Asad's acceptance of political efforts to reach a solution was implicit in his statement that "all paths" must be followed to realize Arab aims.

In private, Syrian officials had exhibited a more flexible policy since the Asad regime came to power in November 1970 but had avoided discussing the issue in public. Asad presumably found it necessary to move slowly to protect himself from attacks by his domestic enemies. He also has preferred to let Egyptian President Sadat bear the burden of pursuing a "political solution" instead of war.

Beyond Asad's personal role, the change in the Syrian attitude is largely a measure of the influence of Sadat who, despite the slim prospects for a negotiated settlement, has kept the political option open. Moscow has consistently urged the Arab countries not to close the door on a peaceful solution.

The Syrian change in policy will have little immediate effect on the prospects for peace in the area. It does, however, bring Damascus publicly into line behind Sadat on the eve of the Confederation of Arab Republics meeting in Cairo.



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CAMBODIA: Lon Nol may be having second thoughts about the need for a new constitution in the wake of Cheng Heng's resignation as chief of state.

Bowing to pressure from Lon Nol, Cheng Heng announced yesterday that he was stepping aside because he had failed to resolve "internal difficulties." He named Lon Nol as his successor. As chief of state, Lon Nol is now in position to promulgate a new constitution that would name him the Cambodian Republic's first president.

The status of the new constitution is still not clear, however. A final draft was supposed to be ironed out this weekend, but now that Lon Nol has become chief of state as well as prime minister, he evidently feels that he can dictate the provisions of the draft. Charging that the constituent assembly made changes in the draft sent them by the cabinet last fall, Lon Nol said in a radiobroadcast that he would not promulgate a constitution nor install a presidential form of government.

Lon Nol's sudden change of heart may also indicate that he has not yet decided on who will serve as prime minister under a new constitution.

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ARAB STATES: The Egyptian, Syrian, and Libyan heads of government are meeting in Cairo today at the third bi-monthly conclave of the Arab confederation's presidential council.

According to press reports, the main order of business is to consider draft legislation dealing with setting up confederation machinery. The bills were prepared by the confederation cabinet for referral to the assembly, which meets in its inaugural session tomorrow.

More significant discussions probably will focus on Israeli-fedayeen clashes in Lebanon and the growing isolation of Sudan from pan-Arab affairs. Consideration may be given to a policy of encouraging more commando forays into Israeli-held territory, although the Lebanese are already nervous about the prospect of more active pan-Arab support for a step-up in guerrilla activity. They fear that the more than 200 Libyan commandos now operating with the fedayeen in Lebanon may be reinforced, and Egyptian Vice President Shafii's exhortation to the guerrillas to "exhaust the enemy" strongly implies that the Arab governments will encourage increased fedayeen activity.

The confederation partners probably will also discuss Sudanese President Numayri's recent inclination to go his own way while playing down Sudan's commitment to the struggle with Israel. Anticipating President Sadat's visit to Khartoum next Wednesday, they may take up the frictions in Sudan-Egypt relations brought on by Numayri's continued refusal to end his feud with Moscow, to join the confederation, and to ease the strains caused by the ouster of his pro-Egyptian defense minister. Another subject of concern may be the possibility that the settlement of Sudan's southern rebellion will encourage Numayri to concentrate on African and domestic affairs and to curtail his involvement with the Arab states even further. [redacted]

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VENEZUELA: President Caldera's treatment of the running conflict with the foreign oil companies in his state of the union message opens some possibility for accommodation.

The tone of the speech, in contrast to recent Yankee-baiting by Caldera's government and party associates and his own recent xenophobic speeches, probably reflects a growing confidence in the success of his nationalistic oil policies. In his address to congress on 9 March, Caldera expressed the opinion that no new legislation is required to fulfill Venezuelan aspirations regarding the petroleum industry. This moderate approach may be a response to the Creole Company's recent announcement that its production is again on the rise. In addition, Venezuelans tend to regard recent US offers to talk on a broad range of bilateral matters as an indication that the US need for Venezuelan oil exceeds Venezuelan dependence on the US market.

The Venezuelan Government's apparent confidence that it is operating from a position of strength on oil policy may be an auspicious trend. President Caldera is less likely to play the game of brinkmanship if he does not feel pushed or threatened.

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While there is still danger of a tighter nationalist squeeze on US investors, the restraint and intimations of willingness to seek an accommodation suggest that there is still room for some mutually beneficial arrangement on trade and investment.

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NIGERIA: The military government is preparing to initiate negotiations for equity participation in existing oil concessions, many of which are held by American companies.

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The key Nigerian official concerned with oil policy, P. C. Asiodu,

[recently stated that the government plans to acquire "substantial" participation, indicating that this would be at least the one-third to 35 percent interest it has obtained in the two special cases. The companies will be compensated out of the government's share of production, but in such a way as to provide sufficient supplementary revenue for current operations of the Nigerian National Oil Company. He said the negotiations will not be easy.]

Asiodu also indicated that over the next decade Lagos will increase its control of refining and sales. Lagos has obtained majority control of the one existing refinery and will own outright the second one that is to be built. Furthermore, retail marketing of petroleum products in Nigeria will be entirely in indigenous hands within a "reasonable" time, and efforts are under way to acquire a national tanker fleet to engage in international marketing of crude oil.

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[REDACTED] TUNISIA: President Bourguiba's decision to advance the presidential election and to seek another five-year term this year may encourage political strife.

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[REDACTED] Bourguiba has decided to run for a fourth term as president and will schedule elections for president as well as vice president within a few months. Bourguiba's present five-year term, his third, expires in November 1974. According to the Tunisian constitution, a president cannot be re-elected more than three times consecutively. It would be necessary to amend the constitution to permit him to serve a fourth consecutive presidential term as well as to provide for a vice president.

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[REDACTED] he may encounter some opposition within the National Assembly. The liberal faction within the ruling Destourian Socialist Party, which dominated the party's congress last fall and provoked Bourguiba's wrath by pressing for various administrative reforms including the process of selecting a presidential successor, still has an important voice in the assembly and may oppose advancing the presidential election. While the liberal faction favors a presidential election, it may object to a vice presidential election in light of prospects that the present prime minister, Hedi Nouira, will be elected.

Moreover, the presidential initiative could incite new student and labor discontent. The university students have calmed down after two schools of the university were closed until next fall, and disturbances among lycée students have ended, but their opposition to the heavy hand of party control over student organizations continues. Some rank and file labor is also resentful of party control. [REDACTED]

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[While a recent wave of wildcat strikes in the southern industrial city of Sfax was quickly settled, the head of Tunisia's only labor organization, a long-time associate of Bourguiba, has come under attack from the workers and may find it difficult to hold the line on demands for wage increases.]

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CYPRUS: President Makarios apparently has delivered a "preliminary" reply to Greece's 11 February demands. The Archbishop's message presumably was carried to Athens by Greek chargé Zafiriou, who left for Greece at dawn yesterday and was received immediately by Greek Prime Minister Papadopoulos. Makarios may be trying to feel out Greek reaction to his position before issuing a public reply.

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EUROPEAN COMMUNITIES: Any prospect that the EC might respond favorably to US requests for smaller increases in agricultural support prices has been further dimmed by the difficulties the Brandt coalition faces in winning ratification of the Moscow and Warsaw treaties. EC Commissioner Dahrendorf told the US ambassador earlier this week that the political situation in Bonn is "dominated" by ratification. If German Agricultural Minister and Free Democratic Party member Ertl is not satisfied on the grain-price question, he is capable of resigning, thus threatening the survival of the Brandt coalition--a risk, Dahrendorf implied, Brandt is not willing to run. The commissioner added that he was convinced that Paris also is unwilling to push for lower grain prices, given the Brandt government's "delicate situation" and the consequences for East-West relations should it fall.

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IRAQ-CZECHOSLOVAKIA: Prague has agreed to extend \$50 million in credits to finance exports of machinery and equipment, 90 percent of which apparently will be repaid in Iraqi crude oil. This aid is almost double previous Czechoslovak economic assistance to Baghdad, which until now has consisted of a \$27-million credit for an oil refinery at Basra. Repayment of this credit also is to be made in crude oil.

* * * *

PAKISTAN: The Bhutto administration has resorted to harsh tactics to augment its foreign exchange holdings of \$200 million. Disappointed with the business community's response to its previous demands for repatriation of foreign exchange abroad, which brought in less than \$25 million, Islamabad has imposed an outright rupee assessment on selected businessmen. The fruits of this assessment, reportedly about 100 million rupees, are being used by Pakistani banks to purchase foreign exchange on the black market where the exchange rate is 12-15 rupees per dollar compared with the official rate of 4.76 rupees. These purchases therefore will bring only about \$7-8 million in hard currency at best.

* * * *

LIBYA: The first elections since the 1969 revolution have indicated that the Libyan electorate has some misgivings about the regime. On 6 March, 20 delegates were elected to represent Libya in the first Confederation of Arab Republics Assembly that meets in Cairo today. The elections, already postponed once because of apathy, reportedly brought 71.4 percent of the qualified voters to the polls. In four contests, however, the number of abstentions exceeded the number of votes cast for the winners, and 11.1 percent of those voting countrywide abstained. Voters complained that most candidates were unqualified and unknown, but the only nationally known figure, Minister of Information Buwaysir, barely squeaked through.

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IRAN: Tehran University students mounted campus demonstrations this week to protest the recent trials and executions of anti-government dissidents. National Police quieted the students with much man-handling but no serious casualties. "Sympathy strikes" were held in three other Tehran universities and [redacted] demonstrations closed the University of Meshed. Six of ten recently executed dissidents were from the Meshed area. In a related development, the Shah held a press conference last Tuesday in which he lashed out at what he called distorted foreign reporting of the trials and executions of anti-state elements. He was particularly annoyed by criticism leveled at him by Le Monde, but his remarks were probably intended for the student demonstrators as well. [redacted]

[redacted]

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